

Message Text

CONFIDENTIAL

PAGE 01 EC BRU 06712 201325Z

41

ACTION COME-00

INFO OCT-01 AF-10 EUR-25 ISO-00 EB-11 L-03 SPC-03 DOTE-00

OMB-01 TRSE-00 XMB-07 AID-20 IGA-02 CIAE-00 INR-10

NSAE-00 RSC-01 DRC-01 /095 W
----- 039402

P R 201217Z NOV 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 6034

INFO AMEMBASSY ABIDJAN

AMEMBASSY LIBREVILLE PRIORITY

AMEMBASSY PARIS

AMEMBASSY YAOUNDE

C O N F I D E N T I A L EC BRUSSELS 6712

PASS DEPARTMENT OF COMMERCE AND EXIM

E.O. 11652: GDS

TAGS: ETRN, GB

SUBJECT: TRANSGABON RAILROAD

REFS: (A) LIBREVILLE 1020

(B) STATE 224651 (NOTAL)

(C) LIBREVILLE 0985 (NOTAL)

(D) EC BRUSSELS 6540 (NOTAL)

1. SUMMARY. ON THE BASIS OF TALKS WITH VION, FED
FEARS THAT THERE MAY STILL BE A FINANCIAL SHORTFALL
FROM ONE TO FOUR BILLION CFA FOR THE FIRST PHASE
OF TRANSGABON RAILROAD. OCTRA HAS BEEN TOLD TO OBTAIN
WRITTEN CONFIRMATION OF COMMITMENTS
FROM ALL PROSPECTIVE DONORS. FED TOLD VION THAT
INCLUSION OF NEW DONORS WITH INTEREST IN TYING THEIR
CONTRIBUTION TO SPECIFIC PARTS OF THE PROJECT NOT
INCLUDING BUILDING OF THE RAILROAD ITSELF (LOT 3) MAY
MAKE IT IMPOSSIBLE TO DEVELOP OPTIMAL FINANCING SOLUTION,
WILL UNDOUBTEDLY LEAD TO INFLATED BIDS AND COSTS AND A
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 EC BRU 06712 201325Z

NEW SHORTFALL. WHETHER THIS MESSAGE WILL GET THROUGH

TO GABONESE IS UNCLEAR SINCE IN WEEKEND DEVELOPMENT, FED HAS HEARD FROM FRENCH SOURCES THAT VION HAS BEEN SACKED BY PRESIDENT BONGO. END SUMMARY.

2. A MISSION OFFICER HELD FURTHER DISCUSSIONS WITH A FED OFFICIAL REGARDING THE TRANSGABON RAILROAD PROJECT ON NOVEMBER 19. OUR SOURCE SAID THAT THE VION VISIT HAD ANSWERED SOME QUESTIONS BUT THE SITUATION REMAINED CONFUSED. AN IMPORTANT NEW FACTOR IS THAT THE FED LEARNED INDIRECTLY FROM PARIS DURING THE WEEKEND THAT VION HAS BEEN SACKED BY PRESIDENT BONGO FOR REASONS THAT REMAIN UNCLEAR. (APPARENTLY, VION DID NOT KNOW ABOUT THIS WHEN IN BRUSSELS AND MAY NOT HAVE LEARNED ABOUT IT UNTIL HIS RETURN TO LIBREVILLE.)

3. FED OFFICIALS QUESTIONED VION CLOSELY ABOUT THE CURRENT STATUS OF THE FINANCIAL PLAN. DESPITE VION'S OPTIMISM, THE FED BELIEVES THAT A SHORT FALL IN FINANCING THE FIRST PHASE OF CONSTRUCTION AMOUNTING FROM ONE TO FOUR BILLION CFA FRANCS MAY STILL EXIST. AS A FIRST STEP IN CLARIFYING THE SITUATION THE FED INSISTED THAT VION OBTAIN WRITTEN CONFIRMATION OF ALL OFFERS OF FINANCING. (VION FOR EXAMPLE HAD ACCEPTED AS A FIRM COMMITMENT AN ORAL OFFER MADE BY THE COMMERCIAL ATTACHE IN LIBREVILLE OF ONE PROSPECTIVE DONOR COUNTRY.)

4. THE FED IS WORRIED THAT THIS SHORT FALL WILL INCREASE THE PRESSURE ON THE GABONESE TO CONSIDER OFFERS FROM DONORS NOT PARTICIPATING IN THE BUILDING OF THE RAILROAD ITSELF. AS INDICATED IN REFTEL D, THE FED AGREES WITH THE U.S. ON THIS POINT BUT ARGUED THE CASE -- WITH VION -- IN A SLIGHTLY DIFFERENT MANNER. THE FED SEEMS PARTICULARLY DISTURBED BY THE INCREASING TENDENCY OF MANY DONORS TO TIE FINANCING TO SPECIFIC PORTIONS OF THE PROJECTS (I.E., SIGNAL SYSTEM, LOCOMOTIVES, ETC.). THIS TREND WILL MAKE THE DEVELOPMENT OF AN OPTIONAL FINANCIAL PLAN DIFFICULT. THE FED ARGUED WITH VION THAT TO INCLUDE OTHER DONORS NOW WHO DESIRE TO TIE THEIR FINANCING TO SPECIFIC PORTIONS OF THE PROJECT RATHER THAN TO THE CONSTRUCTION OF THE RAILROAD ITSELF

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 EC BRU 06712 201325Z

MAY MAKE THE OPTIMIZATION OF FINANCING IMPOSSIBLE. AS MORE AND MORE AID IS TIED IN THIS MANNER, COMPETITION FOR EACH LOT IS DECREASED WITH THE LIKELY RESULT THAT COMPANIES WILL INCREASE THEIR BIDS AND THE COST OF THE OVERALL PROJECT. THE RESULT, A NEW FINANCING SHORTFALL LEADING BACK TO SQUARE ONE.

5. OUR SOURCE SAID THAT VION HAD NOT SHED MUCH LIGHT

ON JAPANESE INTEREST IN THE PROJECT. THE FED WAS NOT SURE WHETHER THE JAPANESE WERE PREPARED TO PARTICIPATE IN THE FIRST PHASE OF CONSTRUCTION, THE SUBSEQUENT EXTENSION TO MEKAMBO OR A LINE TOWARD FRANCEVILLE AND ZAIRE HAD OFFERED TO PARTICIPATE IN THE FINANCING TYING ITS POSSIBLE PARTICIPATION TO THE SUPPLY OF WOODEN RAILROAD TIES -- SHADES OF COALS TO NEWCASTLE IN THE VIEW OF THE FED. OUR SOURCE SAID THAT THE AFRICAN DEVELOPMENT BANK HAD ALSO NOW TIED ITS FINANCING TO THE SUPPLY OF THE SIGNAL SYSTEM AND THE CONSTRUCTION OF FEEDER ROADS. THIS WAS A POLITICAL DECISION ON THE PART OF THE BANK IN THE HOPE THAT THESE TWO PORTIONS OF THE OVERALL PROJECT COULD BE COMPLETED AS A DISCRETE PACKAGE. IN THIS WAY, THE ADB WOULD NOT HAVE TO PARTICIPATE IN OTHER PORTIONS OF THE PROJECT WHICH MAY POTENTIALLY INVOLVE SOUTH AFRICAN FINANCING.

6. THE FED IS ASSISTING THE GABONESE IN REDRAFTING THE CURRENT VERSION OF THE REQUEST FOR BIDS. THE FED TOLD VION DURING HIS VISIT THAT THIS DOCUMENT SHOULD NOT BE ISSUED UNTIL A FIRM FINANCIAL PLAN IS AVAILABLE-- PERHAPS EARLY IN THE NEW YEAR. WHAT WORRIES THE FED IS THAT BONGO MAY NOT BE PERSUADED TO WAIT THAT LONG. THEY NOTE THAT BONGO IS ALREADY IMPATIENT WITH DELAYS AND DETERMINED TO GET THE PROJECT UNDERWAY, IF ONLY SYMBOLICALLY BY YEAR END. GREENWALD

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, RAILROADS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ECBRU06712
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731123/aaaaaqvk.tel
Line Count: 141
Locator: TEXT ON-LINE
Office: ACTION COME
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: (A) LIBREVILLE 1020
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 06 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06-Sep-2001 by rowellE0>; APPROVED <06-Nov-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TRANSGABON RAILROAD
TAGS: ETRN, GB
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005